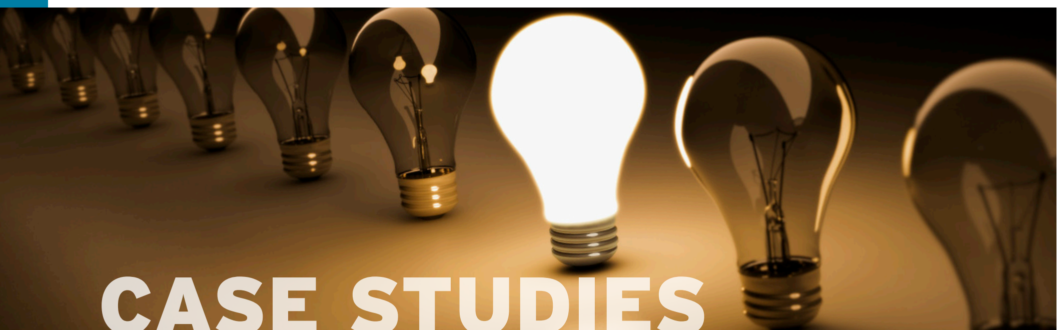
THE ALLIANCE
Employers moving health care forward

QBE REGIONAL INSURANCE USES SELF-FUNDING TO CONTROL COSTS AND CREATE CONSISTENCY



QBE Regional Insurance's motivation for creating its self-funded insurance plan boils down to the three "Cs" of health benefits: consistency, cost, and control.

Balancing those three "Cs" is always a challenge. For QBE Regional Insurance, it requires managing health benefits and controlling costs at multiple employee worksites in widely different markets. It also means explaining the benefits of self-funding after a new corporate parent acquired the company, which has a total of 2,140 employees working at 23 locations nationwide.

QBE is a member of The Alliance, a Wisconsin-based, employer-owned not-for-profit health care purchasing cooperative. The Alliance purchases health services for QBE's 830 employees based at **General Casualty** in Sun Prairie, Wis.

QBE's Self-Funded Strategies

- Research options for services in each market where your company purchases health care.
- Understand the impact on employees at each level of the organization.
- Set clear goals.
- Use your bargaining power to achieve results.
- Ensure consistency through health plan design and costs.
- Monitor reinsurance to prevent gaps in coverage.
- Find a Third Party Administrator (TPA) that can meet your needs.
- Gain access to data on health care costs, usage and quality.
- Encourage employees to manage their health.
- Practice continuous employee communication.

Gaining Control

Prior to developing its self-funded plan, QBE allowed employees to choose from a variety of health benefit options, including health maintenance organizations (HMOs) serving local markets and a preferred provider organization (PPO). While QBE offered a self-funded option, only 300 employees nationwide chose to enroll.

That meant the company's costs for health benefits varied greatly based on both employee choices and local provider relationships. QBE's bargaining power was limited, particularly when only a few employees selected a particular health plan. Employees' out-of-pocket costs varied based on plan options and local arrangements, with some employees paying twice as much for similar benefits.

Creating a Solution

In 2001, the company directed the human resources department to seek out a better solution. A compensation and benefits committee comprised of senior executives set parameters for revamping health benefits. The goal was a new plan that would rein in costs, offer more control, create consistency and maintain competitive benefits to attract and retain valued employees.

The process began with examining all the options available to the company, which included projecting the costs of each option for workers at different levels of the organization. They figured out how each option would impact the employees, from changing their doctors to increasing their out-of-pocket costs. They then looked at individual employee salaries, projected cost increases and showed how the change affected them.

The self-funded option was selected because it promised both control and cost containment. It was introduced with an announcement in September 2001, followed by ongoing communications and presentations to employees until the plan took effect on January 1, 2002.

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Joining The Alliance®

As part of the transition to self-funding, QBE joined The Alliance to work with other self-funded employers in their community. The Alliance develops and manages a broad network of providers on behalf of employers. The wide-ranging network allowed QBE's Madison-area employees to maintain existing provider relationships even as working with The Alliance streamlined health benefit administration for QBE's staff.

Since the cost of the self-funded plan was divided among all employees nationwide, some workers saved money while others saw increases in out-of-pocket costs.

Despite criticism from some employees, the company stood firm and consistently delivered the message that switching to a self-funded plan was essential for its financial health.

In its first full year in The Alliance in 2003, QBE saw an increase in health plan costs of 5.2 percent for the entire company, compared to 15 to 18 percent nationwide. Although cost increases in the following years have been both below and above nationwide averages, the switch to self-funding continues to produce advantages. QBE is now equipped to analyze the factors that drive health plan cost increases, which allows the company to take corrective action to help rein in costs in future years.

"The reality is that in this day and age, going with a traditional insurance carrier means that everything in a group our size is experience rated," a QBE executive points out. "So if you have a lousy year for claims, your rates will increase more with a fully insured plan than they would under a self-funded plan."

Companies with a self-funded plan manage their own risk. If medical claims are high in a given year, the company directly pays for those costs based on the actual services employees receive. In contrast, a fully insured plan distances an employer from that risk but can be more expensive in the long run because ongoing rates are not reflective of the actual services used by employees and profits go back to the insurance company instead of the employer.

Engaging Employees

Using a self-funded plan enables QBE to engage employees in health care by giving them information that enables them to make better choices. For example, a flat fee for every prescription was replaced by an employee co-payment that is based on a percentage of the medication cost, which helps employees understand the impact their choices have on prescription costs.

The company is educating employees so they understand they have a part to play in this process aimed at preserving attractive health benefits while managing health costs. Access to data is an invaluable tool in promoting staying well and making healthy choices.

Now, employees and spouses who participate in voluntary health risk assessments (HRAs) get a rebate of $300 for single coverage or $500 for family coverage if both adults participate and take part in two other wellness activities during the year.

Employees who sign up for the HRA also must agree to participate in programs designed to help improve their health. Based on HRA results, those may include risk-based coaching, disease management, case management or other health programs.

QBE

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